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Part 1: News Analysis

Turkmenistan has been cordial but noncommittal in responding to a recent full-court press by the United States, which is seeking to encourage the country to diversify its energy partnerships. Despite high hopes among U.S. and EU policymakers and the existence of several proposals for alternative export routes, Ashgabat has given no indication that it will turn away from using Russia as its main route to foreign markets.

In the last year, the U.S. has sent a number of high-level delegations to establish closer working relations with Turkmenistan. This week, President Berdymukhamedov met with both the commander of the U.S. Central Command to discuss regional security and stability, and with the State Department's newly appointed coordinator for Eurasian energy issues, Amb. Steven Mann. Meeting with the Turkmen president January 29, Mann expressed keen interest in having American companies participate in the development of Turkmenistan's hydrocarbon industry, but the two sides announced no specific agreements.

In Brussels, Ukrainian Prime Minister Yuliya Tymoshenko spoke openly about eliminating “middlemen” – a reference to Russia – from its energy supply chain. Under Berdymukhamedov, Turkmenistan has preferred to keep all export options on the table. However, the Foreign Ministry reacted sharply to Tymoshenko's proposal to revive plans for a pipeline that would skirt Russia in bringing gas from Turkmenistan to Europe. A ministry statement said that any such ideas should properly be initiated by the producing country.

The president also met with executives from Midland Oil and Gas this week, who proposed an international consortium to invest in Turkmenistan's gas infrastructure and other areas such as telecommunications. As with other delegations of prospective investors, the Turkmen leader was willing to discuss possible partnerships for projects such as petrochemical and compressed gas plants, but his only specific offer was for support of his pet project, the Caspian resort town of Turkmenbashi.

Annadurdy Hadjiyev, an economist, former banker and member of the Turkmen opposition abroad, told Radio Free Europe/Radio Liberty that the issue of getting a credible independent assessment of Turkmenistan's hydrocarbon deposits is increasingly urgent. Given recent gas deals with Russia and China, the ongoing dispute with Iran, and persistent talk of a Trans-Afghan pipeline to reach Pakistan and possibly India, Hadjiyev said Turkmenistan's credibility hinged on publication of a quality audit.

Last year in his summary of the country's achievements, President Berdymukhamedov took pride in the government's plans to improve Turkmen living standards. He urged domestic firms to help with construction projects, since too often they were awarded to international companies, using up scarce foreign currency reserves. Yet this week the president approved contracts with German, British, and Turkish companies for various infrastructure projects, apparently eager to get on with his pledged improvements. To give domestic investors a boost, the president approved a tax break for businesses producing bread products and pharmaceuticals. As cold weather continued in the Central Asian region, the Turkmen leader offered Afghanistan food, diesel fuel, and children's clothing as humanitarian aid, and negotiated with Tajikistan to increase Turkmen electricity deliveries.

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1. INTERNATIONAL RELATIONS

a. U.S. Coordinator for Eurasian Energy Diplomacy Visits Turkmenistan

Source: U.S. Embassy—Ashgabat/01/29/08

Electronic version: <http://turkmenistan.usembassy.gov/pr20080129.htm>

The U.S. Coordinator for Eurasian Energy Diplomacy, Ambassador Steven Mann, is visiting Turkmenistan January 29-30, 2008, to continue the U.S.-Turkmenistan dialogue on economic and energy sector cooperation. During his visit, Ambassador Mann met with President Gurbanguly Berdimukhamedov and other representatives of the Government of Turkmenistan to discuss energy issues and bilateral relations.

Following his meeting with President Berdimukhamedov, Mann noted that the meeting was warm and productive and discussed a wide range of energy questions.

Ambassador Steven R. Mann served as Principal Deputy Assistant Secretary of State for South and Central Asian Affairs from May 2006 to December 2007 following his service as the State Department's Senior Advisor for Eurasia. Mann served as U.S. Ambassador to Turkmenistan from 1998 to 2001.

b. Turkmen President Receives New US Eurasian Energy Envoy

Original title: *President of Turkmenistan Receives Coordinator of the Eurasian Energy Diplomacy of the U.S. Department of State*

Source: *Official Turkmen Government website/01/29/089. Excerpt prepared by OSI Turkmenistan Project.*

Full version: <http://www.turkmenistan.gov.tm/en/?idr=1&id=080130c>

Excerpt: President Berdimukhamedov received Amb. Steven Mann, Coordinator of the Eurasian Energy Diplomacy of the U.S. Department of State, during his visit to Ashgabat.

[Passage omitted: on exchange of greetings.]

The Turkmen leader congratulated Amb. Mann on the appointment to the important post and expressed satisfaction at the progress of the traditionally friendly Turkmen-American dialogue, remarkable for its constructiveness and business-like nature.

The guest said that while traveling all over the region, he had had an opportunity to ascertain the increasing interest and respect for the policy of progressive reforms carried out under the leadership of President Berdimukhamedov. In his regard, Amb. Mann focused on the intense interest that the states in one of the largest regions showed in cooperation with independent neutral Turkmenistan, as a country with a profound economic and resource potential.

Confirming Turkmenistan's adherence to the policy of peace and good neighborliness President Berdimukhamedov stated that Turkmenistan was always open for broad, mutually-advantageous partnership, first of all, with neighboring countries with whom it maintaining close fruitful contacts.

The two parties discussed the key trends and prospects of Turkmen-American cooperation at the current stage and exchanged views on issues of mutual interest. Cooperation in the energy and fuel sector was a focus of the conversation. In this context, Amb. Mann emphasize the interest from the leading American companies in establishing close business relations with Turkmenistan to work for the effective realization of its enormous energy potential, through attracting advanced technologies and best international practices in this sector as well.

[Passages omitted on exchange of good wishes and presence at the meeting of U.S. Acting Charge d'Affaires Richard Hoagland.]

c. Commander of U.S. Central Command Returns to Turkmenistan

Source: U.S. Embassy—Ashgabat/01/25/08.

Electronic version: <http://turkmenistan.usembassy.gov/pr20080125.html>

Commander of the U.S. Central Command Admiral William J. Fallon is visiting Turkmenistan January 25-26, 2008, as part of a routine trip in the region. During his visit, Admiral Fallon is meeting with President Gurbanguly Berdimukhamedov and other representatives of the government of Turkmenistan, in order to discuss regional security and stability, as well as border security issues, which can support economic growth and development. This is Admiral Fallon's second visit to Turkmenistan.

Admiral William J. Fallon assumed duties as the commander, U.S. Central Command on March 16, 2007. His awards include the Defense Distinguished Service Medal, Distinguished Service Medal, Defense Superior Service Medal, Legion of Merit, Bronze Star, Meritorious Service Medal, Air Medal, Navy Commendation Medal, and various unit and campaign decorations. His first visit to Turkmenistan was in June 2007.

d. Turkmen President Receives Commander of U.S. Central Command

Source: Official Turkmen Government Website/01/26/08. Excerpt prepared by OSI Turkmenistan Project.
Full version: <http://www.turkmenistan.gov.tm/en/?idr=1&id=080126a>

Excerpt: President of Turkmenistan Gurbanguly Berdimukhamedov received Commander of the U.S. Central Command Admiral William Fallon. Thanking the Turkmen leader for the opportunity of a personal meeting, Adm. Fallon noted that he was glad to visit again Turkmenistan that the United States considered a reliable partner in achieving the noble goals of global peace and wellbeing.

The two parties exchanged views on further development of the bilateral relations, first of all, within the framework of cooperation in maintaining regional security, in particular controlling drug abuse and trafficking. Noting the importance of joint efforts, Gurbanguly Berdimukhamedov said that Turkmenistan consistently implemented a policy of peace and stability and made specific steps on this path. In particular, the State Agency for Drugs had been recently established.

[Passage omitted: on benefits of partnership.]

Adm. Fallon emphasized that the United States considered neutral Turkmenistan's policy based on the principles of peace, good neighborliness and mutually advantageous cooperation a contribution to the common efforts to maintain regional and global security. U.S. Acting Charge d'Affaires to Turkmenistan Richard Hoagland attended the meeting.

e. Ukrainian Premier Urges EU to Build Gas Pipeline from Turkmenistan

Source: BBC Monitoring/UNIAN/01/28/08. Synopsis prepared by OSI Turkmenistan Project.

Synopsis: At a meeting of the Foreign Affairs Committee of the European Parliament on January 28, Ukrainian Prime Minister Yuliya Tymoshenko proposed that the European Union construct a new gas pipeline from Turkmenistan.

"We suggest [construction of] new corridors via the Caspian and Black seas, and we suggest doing this not 20 years from now but today," UNIAN quoted her as saying. The new gas pipeline would enable both Ukraine and the European Union to diversify their energy sources, she added.

Tymoshenko said that many gas pipelines are being built today which do not always allow energy supplies to be diversified; rather, she said, some of them increase dependence on one supplier country.

UNIAN reported earlier that in 2005, Tymoshenko had proposed the White Stream pipeline, intended to carry gas from Turkmenistan to mainland Europe via Azerbaijan, Georgia, and the Black Sea.

f. Premier Says Ukraine Must Remove Gas Supply Middlemen

Source: BBC Monitoring/Ukrainian TV Channel UT1/01/28/08. Synopsis prepared by OSI Turkmenistan Project.
Full version: <http://uk.reuters.com/article/oilRpt/idUKDAH32993220080123>

Synopsis: At a joint news conference in Brussels on January 28 with European Commission President Jose Manuel Barroso, Ukrainian Prime Minister Yuliya Tymoshenko said that there is no room for middlemen in Ukraine's gas market, BBC Monitoring reported, citing Ukrainian TV Channel UT1. The prime minister said Kiev should have direct contacts with gas suppliers such as Turkmenistan, Uzbekistan, and Kazakhstan.

"I think the construction of new Trans-Caspian and Trans-Black Sea energy routes will be the way out of this quite difficult situation. It will give Ukraine and many EU countries a hope to diversify and improve their energy security," she said. Currently, Ukraine buys Russian and Central Asian gas from RosUkrEnergo, a Swiss-registered intermediary.

g. Turkmen Foreign Ministry Rejects Ukrainian Premier's Proposed Pipeline

Original Title: *Turkmenistan Denies Reports on Europe-bound Gas Supply Plans*

Source: *BBC Monitoring—Central Asia/Turkmen Foreign Ministry Press Release*

Recently some media sources have reported on previously unknown pipeline projects. In particular, Ukraine's premier, Yuliya Tymoshenko, while visiting Brussels, focused on gas supplies to Europe and mentioned the possibility of the construction of the White Stream gas pipeline, through which Turkmen gas would go to the EU countries across the Caspian and Black seas.

Previously, similar remarks on possible Turkmen natural gas supplies to Europe via such imaginary routes have also been made by high-ranking officials of some other countries.

The Turkmen government views these kinds of official reports simply as incomprehensible.

In this connection, the Foreign Ministry of Turkmenistan states that, in accordance with international practice, official notifications on construction projects of international pipeline systems are usually issued by countries that produce energy resources and such notifications are made only after relevant negotiations and consultations with all interested parties.

h. Turkmenistan to Provide Humanitarian Aid to Afghanistan

Original Title: *A Telephone Conversation Between the Leaders of Turkmenistan and Afghanistan*

Source: *Official Turkmen Government website/State News Agency of Turkmenistan(TDH)/01/30/08. Synopsis prepared by OSI Turkmenistan Project*

Full version: <http://www.turkmenistan.gov.tm/en/?idr=1&id=080130b>

Synopsis: President Berdymukhamedov had a telephone conversation with Afghan President Hamid Karzai, to discuss the progress of agreements reached during the Afghan leader's trip to Turkmenistan in 2007. Given this winter's unusual severity, President Berdymukhamedov offered to ship food, children's clothing, and diesel fuel as humanitarian aid to Afghanistan. President Karzai invited his counterpart to visit Afghanistan, and the Turkmen leader accepted.

i. Turkmenistan to Increase Electricity Flow to Tajikistan

Original Title: *Turkmenistan to Increase Electricity Supplies to Tajikistan*

Source: *turkmenistan.ru/Turkmen State News Agency (TDH)/01/28/08. Synopsis prepared by OSI Turkmenistan Project*

Full version: http://www.turkmenistan.ru/?page_id=3&lang_id=en&elem_id=12084&type=event&sort=date_desc

Synopsis: President Berdymukhamedov pledged to increase electricity supplies to Tajikistan in a phone conversation with President Emomali Rakhmon of Tajikistan on January 28, turkmenistan.ru reported, citing the Turkmen State News Agency (TDH). Tajikistan had requested an increase in deliveries due to the extremely cold weather gripping the region. Berdymukhamedov agreed, depending on Turkmenistan's capacity and the conditions of the transmission lines.

2. DOMESTIC DEVELOPMENTS

a. Turkey to Build Power Station for Turkmenistan

Source: Official Turkmen Government Website/01/28/08. .

Electronic version: <http://www.turkmenistan.gov.tm/en/?idr=5&id=080128a>

With a view to implementing the national program on improvement of social and living conditions in villages, settlements, towns in the etraps and etrap centers, and to improve electric power supply to Ashgabat and the Ahal velayat, the president of Turkmenistan issued a special resolution authorizing the Turkmenenergo State Corporation affiliated with the Ministry of Energy and Industry of Turkmenistan, in accordance with the results of an international tender, to conclude a contract for design, construction and operation of a gas-turbine power station with a capacity of 254 MWt at a cost of 120 million euro (excluding VAT) with the Turkish company Lotus Proje Akaryakit Enerji Madencilik Telekomunikasyon Insaat Sanayi Taahhut ve Ticaret A.S.

The constructions is to begin in March 2008 and the station is to be put into operation in February 2010.

b. British Firm to Build 28 Bridges in Turkmenistan

Original title: Cooperation.

Source: Official Turkmen Government Website/01/28/08. Synopsis prepared by OSI Turkmenistan Project.

Full version: <http://www.turkmenistan.gov.tm/en/?idr=5&id=080128b>

Synopsis: Garanti Koza LLP of Great Britain has been awarded a contract to design and construct 28 bridges on the Mary-Turkmenabat highway, the official Turkmen government website reported. President Berdymukhamedov authorized the state road construction agency Turkmenavtoyollary to conclude the contract, valued at US \$100 million.

c. Germany Company to Construct Five Grain Elevators in Turkmenistan

Original title: Official News.

Source: Official Turkmen Government Website/01/29/08. Synopsis prepared by OSI Turkmenistan Project.

Full version: <http://www.turkmenistan.gov.tm/en/?idr=1&id=080129e>

Synopsis: President Berdymukhamedov has issued a resolution authorizing the German company Unionmatex Industrieanlagen GMBH to design and construct five grain elevators and associated bread factories and bakeries in the Turkmen provinces of Ahal, Balkan, Dashoguz, Lebap, and Mary. Unionmatex won the international tender, worth 144 million euro. The grain complexes are to be completed by 2011.

d. Readers, Journalists Criticize Turkmen Media: IWPR

Original Title: Turkmen Media Shake-up Draws Scepticism

Source: Institute for War and Peace Reporting (IWPR)/01/22/08. Synopsis prepared by OSI Turkmenistan Project.

Electronic version: http://www.iwpr.net/?p=rca&s=f&o=342162&apc_state=henh

Synopsis: In an article published January 22, the Institute for War and Peace Reporting (IWPR) analyzed President Berdymukhamedov's recent televised meeting with Turkmen intellectuals, in which he criticized the media's poor performance and blamed journalists for their "alienation from the real life, thoughts and expectations of the people." The president's firing of his press secretary for "lack of a creative approach" was the latest in a string of dismissals, according to IWPR. The president, who has levelled similar criticism at the press in earlier speeches, has replaced two ministers of culture and the chief editors of all newspapers since his election in February 2007.

Yet for all the scolding, little has changed, IWPR reports. "All our newspapers are alike because they just republish official material from the state-run Turkmenovlethabarlary news agency (TDH)," an Ashgabat resident told the outlet. "It's the same on television and radio." A teacher in Dashoguz interviewed by IWPR echoed this sentiment. "The newspapers and TV screens all show the same thing – praise for the president.

Excerpt: Turkmenistan's leadership has boasted for years about its huge natural-gas fields, and has signed multibillion-dollar contracts with foreign countries for most of those reserves. But no independent assessment has ever confirmed that Turkmenistan actually has the resources to fulfill its end of the deals.

Now Turkmenistan is seeking to put all doubts to rest. The government announced this week that the Oil, Gas, Industry, and Mineral Resources Ministry is going to allow an international auditing firm to assess the country's natural-gas reserves. It might seem odd that a country that has already signed contracts worth tens of billions of dollars for its natural gas is only now allowing an independent survey of its gas resources.

[Passage omitted: on past leader Saparmurat Niyazov who said Turkmenistan had as much as 22.5 trillion cubic meters of natural gas, but would not allow foreigners in to verify the claim.]

Annadurdy Hadjiyev, an independent economist in Bulgaria, tells RFE/RL's Turkmen Service that the information previously available to potential foreign investors was unreliable at best. "Former leader Niyazov spoke about large deposits of [natural] gas located in Turkmenistan based [only] on some sort of research conducted by some unknown auditing firms," Hadjiyev says.

[Passage omitted: on international community's need to verify Turkmenistan's claims to hold fourth largest gas reserves.]

"Turkmenistan has already signed a contract with Russia for 25 years of gas supplies and has signed a contract for supplies of gas to China," Hadjiyev says. "The question for all of these consumers, all those who have signed contracts, is: Does Turkmenistan really have these supplies?"

Based on contracts already signed, by the end of this decade Turkmenistan is supposed to provide nearly 100 billion cubic meters of natural gas annually to China, Russia, and Iran. And that has not stopped the Turkmen government from talking to other prospective customers. The European Union is increasing its ties with Turkmenistan in a bid to secure some of its gas supplies, and there is still talk of a "trans-Afghan" gas pipeline that would bring Turkmen gas to Pakistan and possibly India. So the question of whether Turkmenistan really has such large supplies of natural gas is becoming increasingly urgent.

[Passage omitted: on need to have every step of any audit transparent to offset exaggerated claims.]

"If Turkmenistan is prepared to undergo such an audit of all its gas fields, and convince the international community that it has these colossal reserves, then everything must be done openly," Hadjiyev says. "It needs to be clear who the auditing company is, what kind of auditing work is being done, and the final results of this absolutely must be published."

Certainly, few companies are willing to take the risk that China's National Petroleum Company agreed to take in July 2007, when it invested in gas fields in eastern Turkmenistan.

"The Chinese oil and gas company is conducting its own geological survey work. But what is really there [in the gas field]? If they find gas, then they find it. If they don't, then it is their own fault," Hadjiyev says. The deal with China was a first for Turkmenistan, which previously did not allow foreign companies to set up their own operations and conduct their own independent geological surveys on the country's mainland (as opposed to its Caspian Sea oil and gas fields.)

Hadjiyev suggests that if the independent audit is transparent and supports the Turkmen government's claims regarding its natural-gas riches, it should open the door to other major projects. "No one wants to take a blind risk," he says. But if the Turkmen authorities can prove its claims to Europe, that will help accelerate the Nabucco trans-Caspian gas-pipeline project, which European countries are not fully ready to back, he adds.

The Nabucco trans-Caspian project aims to link the Caspian basin to Austria via Turkey by 2012, and by 2020 it could supply 25 billion-30 billion cubic meters of gas to countries along the route. The planned pipeline would not go through Russia at any stage of its route, one of the advantages that makes it a main energy project supported by the European Union.

b. President to Give Tax Breaks to Investors in Food, Pharmaceutical Products

Original title: *Turkmenistan Gives Tax Privileges to Bakery, Pharmacy Investors*

Source: *ITAR-TASS/01/28/08. Synopsis prepared by OSI Turkmenistan Project.*

Synopsis: President Berdymukhamedov has signed into law a new amendment to the Turkmen tax code which will provide substantial new VAT exemptions for investors in certain consumer products, ITAR-TASS reported January 28, citing Turkmen state media. As of January 29, tax reductions have been introduced for investors in bread products, baby food, pharmaceuticals, and veterinary products.

A government commentary on the law noted that the tax breaks would "reduce the cost of socially-important goods and services sold to the public at fixed prices." The price of a loaf of bread at state stores has remained unchanged for over a decade, at 1,000 manat, or five US cents.

c. Turkmen President Receives Midland Oil, NARA Executives

Original title: *President of Turkmenistan Receives Midland Oil and Gas CEO*

Source: *Official Turkmen Government website/Turkmen State News Agency (TDH)/01/31/08. Translation and excerpt prepared by OSI Turkmenistan Project.*

Full version: <http://www.turkmenistan.gov.tm/en/?idr=1&id=080131a>

Excerpt: President Berdymukhamedov received Robert Murphy, CEO of Midland Oil and Gas, and discussed prospects for mutually advantageous cooperation. Murphy thanked the president for the opportunity for a personal meeting, and introduced his business partners – Song Hong, an advisor to the Midland Oil and Gas Company and director of the NARA Bank (Republic of Korea) and Yang Chang, financial consultant and project chief for construction of the Alaska pipeline.

[Passage omitted on greetings from president.]

Reaffirming the company's interest in establishing long-term business contacts with Turkmenistan, Murphy reported on specific steps to implement agreements reached during his previous meeting with the Turkmen leader. In particular, the Midland Oil and Gas CEO said that an international consortium had been established with Korean partners who would be involved in implementing joint projects. For this purpose, a phased program providing for implementation of the potential for cooperation in the oil and gas sector had been drafted. Murphy indicated the consortium's readiness for broad collaboration in other fields, in particular telecommunications and advanced information technologies.

Expressing satisfaction at the foreign partners' intention to work in the Turkmen market, President Berdymukhamedov noted that Turkmenistan was working towards improving national legislation and creating a more favorable investment climate in the country.

"We're counting on attracting advanced technologies and the best international practices in all spheres of the national economy, first of all, the leading sector – fuel and energy," the president emphasized.

The two parties discussed in detail opportunities for cooperation in the oil and gas industry, in particular the promising direction of exploitation of hydrocarbon deposits. President Berdymukhamedov proposed that the investors could consider opportunities for partnership in the petrochemical industry, liquefied gas production, the textile industry and transportation and communications. Specific projects mentioned were the construction of a seaport in the city of Turkmenbashi and establishment of the Avaza national tourist zone on the Caspian Sea coast.

Particular attention was placed on education during the talks. Murphy said that the consortium had drafted a special program to provide training for Turkmen students at the leading higher educational establishments in the United States and the Republic of Korea, taking account of the importance Turkmenistan places on training highly qualified specialists for the national economy. Murphy noted that the Turkmen specialists would be involved in joint projects that would create thousands of new jobs.

[Passage omitted: on president's invitation to visit enterprises.]

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